Print this page

Miscellaneous

* Asterisks denote mandatory information

Name of Announcer *	CITY DEVELOPMENTS LIMITED
Company Registration No.	196300316Z
Announcement submitted on behalf of	CITY DEVELOPMENTS LIMITED
Announcement is submitted with respect to *	CITY DEVELOPMENTS LIMITED
Announcement is submitted by *	Enid Ling Peek Fong
Designation *	Company Secretary
Date & Time of Broadcast	22-Feb-2012 17:23:21
Announcement No.	00056

>> Announcement Details

The details of the announcement start here ...

Announcement Title *	Announcement by Subsidiary Company, Millennium & Copthorne Hotels New Zealand Limited, on Full Year Results for the Year Ended 31 December 2011
Description	Please see the attached announcement released by Millennium & Copthorne Hotels New Zealand Limited on 22 February 2012.
Attachments	MCHNZ-FinalResults2011.pdf Total size = **1916K** (2048K size limit recommended)

Close Window

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Income Statement

For the year ended 31 December 2011

DOLLARS IN THOUSANDS	Note	Group 2011	Group 2010	Parent 2011	Parent 2010
Hotel revenue		84,979	102,177	37,401	51,113
Rental income		3,084	2,882	-	-
Property sales		11,397	9,430	-	-
Revenue		**99,460**	**114,489**	**37,401**	**51,113**
Cost of sales		(42,757)	(49,810)	(15,694)	(20,574)
Gross profit		**56,703**	**64,679**	**21,707**	**30,539**
Other income	2	17,894	1,397	7,995	-
Administration expenses	3	(28,611)	(27,495)	(9,574)	(10,320)
Other operating expenses	3	(18,195)	(23,980)	(8,258)	(11,242)
Operating profit		**27,791**	**14,601**	**11,870**	**8,977**
Finance income	5	3,127	2,066	3,054	2,760
Finance costs	5	(1,985)	(1,771)	(431)	(56)
Net finance income		**1,142**	**295**	**2,623**	**2,704**
Share of profit/(loss) of associate	13	4,572	(330)	-	-
Profit before income tax		**33,505**	**14,566**	**14,493**	**11,681**
Income tax expense pre Government Budget changes	6	(8,478)	(2,598)	(3,603)	(1,896)
Income tax expense relating to Government Budget changes	6	-	(24,609)	-	(9,847)
Profit/(loss) for the year		**25,027**	**(12,641)**	**10,890**	**(62)**
Attributable to:					
Owners of the parent		20,619	(10,123)	10,890	(62)
Non-controlling interests		4,408	(2,518)	-	-
Profit/(loss) for the year		**25,027**	**(12,641)**	**10,890**	**(62)**
Basic earnings per share (cents)	9	5.90	(2.90)		
Diluted earnings per share (cents)	9	5.90	(2.90)		

Statement of Comprehensive Income

For the year ended 31 December 2011

DOLLARS IN THOUSANDS	Note	Group 2011	Group 2010	Parent 2011	Parent 2010
Profit/(loss) for the year		**25,027**	**(12,641)**	**10,890**	**(62)**
Other comprehensive income					
Foreign exchange translation movements:					
- Recognised in other comprehensive income	5	(43)	1,601	-	-
- Tax (expense)/credit on foreign exchange	6,20	291	(950)	-	-
Revaluation of property, plant and equipment:					
- Recognised in other comprehensive income	10	(4,175)	8,862	(2,434)	1,058
- Tax (expense)/credit on revaluation	6,20	(328)	(4,787)	(752)	(1,267)
Share of post acquisition reserves in associate	13	(6,735)	94	-	-
Total comprehensive income/(loss) for the year		**14,037**	**(7,821)**	**7,704**	**(271)**
Total comprehensive income/(loss) for the year attributable to :					
Owners of the parent		10,714	(8,287)	7,704	(271)
Non-controlling interests		3,323	466	-	-
Total comprehensive income/(loss) for the year		**14,037**	**(7,821)**	**7,704**	**(271)**

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Changes in Equity

For the year ended 31 December 2011

Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2011	430,330	96,243	8,784	(122,668)	(85)	412,604	98,264	510,868
Movement in exchange translation reserve	-	-	790	-	-	790	(542)	248
Revaluation of property, plant & equipment	-	(4,115)	-	-	-	(4,115)	(388)	(4,503)
Share of post acquisition reserves in associate	-	-	-	(6,580)	-	(6,580)	(155)	(6,735)
Total other comprehensive income/(loss)	-	(4,115)	790	(6,580)	-	(9,905)	(1,085)	(10,990)
Profit for the year	-	-	-	20,619	-	20,619	4,408	25,027
Total comprehensive income for the year	-	(4,115)	790	14,039	-	10,714	3,323	14,037
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(4,191)	-	(4,191)	-	(4,191)
Non-controlling interests	-	-	-	-	-	-	(1,466)	(1,466)
Supplementary dividends	-	-	-	(130)	-	(130)	-	(130)
Foreign investment tax credits	-	-	-	130	-	130	-	130
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	301	301
Balance at 31 December 2011	430,330	92,128	9,574	(112,820)	(85)	419,127	100,422	519,549

The accompanying notes form part of, and should be read in conjunction with, these financial statements

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Changes in Equity

For the year ended 31 December 2011

Group

Attributable to equity holders of the Group

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Exchange Reserve	Accumulated Losses	Treasury Stock	Total	Non-controlling Interests	Total Equity
Balance at 1 January 2010	430,330	93,447	9,838	(108,448)	(85)	425,082	98,798	523,880
Movement in exchange translation reserve	-	-	(1,054)	-	-	(1,054)	1,705	651
Revaluation of property, plant & equipment	-	2,796	-	-	-	2,796	1,279	4,075
Share of post acquisition reserves in associate	-	-	-	94	-	94	-	94
Total other comprehensive income/(loss)	-	2,796	(1,054)	94	-	1,836	2,984	4,820
Loss for the year	-	-	-	(10,123)	-	(10,123)	(2,518)	(12,641)
Total comprehensive income/(loss) for the year	-	2,796	(1,054)	(10,029)	-	(8,287)	466	(7,821)
Transactions with owners, recorded directly in equity:								
Dividends paid to:								
Owners of the parent	-	-	-	(4,191)	-	(4,191)	-	(4,191)
Non-controlling interests	-	-	-	-	-	-	(1,435)	(1,435)
Supplementary dividends	-	-	-	(397)	-	(397)	-	(397)
Foreign investment tax credits	-	-	-	397	-	397	-	397
Acquisition of non-controlling interests without a change in control	-	-	-	-	-	-	435	435
Balance at 31 December 2010	430,330	96,243	8,784	(122,668)	(85)	412,604	98,264	510,868

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Changes in Equity

For the year ended 31 December 2011

Parent

DOLLARS IN THOUSANDS	Share Capital	Revaluation Reserve	Accumulated Losses	Treasury Stock	Total Equity
Balance at 1 January 2011	430,330	56,750	(187,893)	(85)	299,102
Revaluation of property, plant and equipment	-	(3,186)	-	-	(3,186)
Total other comprehensive loss	-	(3,186)	-	-	(3,186)
Profit for the year	-	-	10,890	-	10,890
Total comprehensive income/(loss) for the year	-	(3,186)	10,890	-	7,704
Transactions with owners, recorded directly in equity:					
Dividends paid to shareholders	-	-	(4,191)	-	(4,191)
Supplementary dividends	-	-	(130)	-	(130)
Foreign investment tax credits	-	-	130	-	130
Balance at 31 December 2011	**430,330**	**53,564**	**(181,194)**	**(85)**	**302,615**
Balance at 1 January 2010	430,330	56,959	(183,640)	(85)	303,564
Revaluation of property, plant and equipment	-	(209)	-	-	(209)
Total other comprehensive loss	-	(209)	-	-	(209)
Loss for the year	-	-	(62)	-	(62)
Total comprehensive loss for the year	-	(209)	(62)	-	(271)
Transactions with owners, recorded directly in equity:					
Dividends paid to shareholders	-	-	(4,191)	-	(4,191)
Supplementary dividends	-	-	(397)	-	(397)
Foreign investment tax credits	-	-	397	-	397
Balance at 31 December 2010	**430,330**	**56,750**	**(187,893)**	**(85)**	**299,102**

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Financial Position

As at 31 December 2011

DOLLARS IN THOUSANDS	Note	Group 2011	Group 2010	Parent 2011	Parent 2010
SHAREHOLDERS' EQUITY					
Issued capital	8	430,330	430,330	430,330	430,330
Reserves		(11,118)	(17,641)	(127,630)	(131,143)
Treasury stock	8	(85)	(85)	(85)	(85)
Equity attributable to owners of the parent		419,127	412,604	302,615	299,102
Non-controlling interests		100,422	98,264	-	-
Total equity		519,549	510,868	302,615	299,102
Represented by:					
NON CURRENT ASSETS					
Property, plant and equipment	10	324,523	332,719	169,351	171,360
Development properties	11	143,034	146,683	-	-
Intangible assets	12	3,284	3,284	3,284	3,284
Loans due from related parties	26	-	-	42,546	4,745
Investments in subsidiaries		-	-	131,045	129,051
Investment in associates	13	124,951	84,872	-	-
Total non-current assets		595,792	567,558	346,226	308,440
CURRENT ASSETS					
Cash and cash equivalents	14	36,314	38,422	263	4,537
Trade and other receivables	15	18,235	18,195	6,929	5,824
Trade receivables due from related parties	26	-	29	8,027	7,392
Loans due from related parties	26	-	-	6,000	6,200
Inventories	16	1,495	1,524	452	422
Income tax receivable	17	-	353	-	-
Development properties	11	8,512	4,676	-	-
Total current assets		64,556	63,199	21,671	24,375
Total assets		660,348	630,757	367,897	332,815
NON CURRENT LIABILITIES					
Interest-bearing loans and borrowings	18	63,277	-	27,619	-
Provisions	19	437	558	437	383
Provision for deferred taxation	20	49,030	48,569	21,456	20,712
Total non-current liabilities		112,744	49,127	49,512	21,095
CURRENT LIABILITIES					
Interest-bearing loans and borrowings	18	-	47,889	-	-
Trade and other payables	21	14,495	14,097	3,964	3,977
Trade payables due to related parties	26	461	356	461	356
Loans due to related parties	26	7,230	3,500	7,230	3,500
Provisions	19	4,168	4,920	3,843	3,500
Income tax payable	17	1,701	-	272	1,285
Total current liabilities		28,055	70,762	15,770	12,618
Total liabilities		140,799	119,889	65,282	33,713
NET ASSETS		519,549	510,868	302,615	299,102

For and on behalf of the Board

R BOBB, DIRECTOR, 22 February 2012

BK CHIU, MANAGING DIRECTOR, 22 February 2012

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Cash Flows

For the year ended 31 December 2011

		Group		Parent	
DOLLARS IN THOUSANDS	Note	2011	2010	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from:					
Receipts from customers		107,560	120,551	36,705	44,268
Receipts from insurers		10,166	567	5,700	-
Interest received		2,086	1,947	1,060	527
Dividends received	5	4	34	1,994	2,240
Cash was applied to:					
Payments to suppliers and employees		(89,801)	(84,873)	(30,527)	(32,280)
Payments to insurers		(724)	(724)	-	-
Interest paid		(2,003)	(1,548)	(367)	(72)
Income tax paid		(5,433)	(5,164)	(2,734)	(3,244)
Net cash inflow from operating activities		**21,855**	**30,790**	**11,831**	**11,439**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from:					
Proceeds from the disposal of property, plant and equipment		7,115	-	-	-
Cash was applied to:					
Purchase of property, plant and equipment	10	(5,114)	(4,750)	(3,668)	(556)
Purchase of investments in subsidiaries		-	-	(1,994)	(2,239)
Purchase of investment in associate	13	(39,674)	(10,633)	-	-
Repayments from subsidiaries		-	-	200	1,400
Net cash outflow from investing activities		**(37,673)**	**(15,383)**	**(5,462)**	**(1,395)**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was applied to:					
Repayment of borrowings	18	(59,197)	(4,762)	(46,966)	(3,600)
Drawdown of borrowings	18	74,585	-	74,585	-
Loans advanced to subsidiaries	26	-	-	(37,801)	-
Loans received from parent company	26	3,730	-	3,730	-
Dividends paid to shareholders of Millennium & Copthorne Hotels New Zealand Ltd	8	(4,191)	(4,191)	(4,191)	(4,191)
Dividends paid to non-controlling shareholders		(427)	(418)	-	-
Net cash inflow/(outflow) from financing activities		**14,500**	**(9,371)**	**(10,643)**	**(7,791)**
Net (decrease)/increase in cash and cash equivalents		**(1,318)**	**6,036**	**(4,274)**	**2,253**
Add opening cash and cash equivalents		38,422	31,345	4,537	2,284
Exchange rate adjustment		(790)	1,041	-	-
Closing cash and cash equivalents	14	**36,314**	**38,422**	**263**	**4,537**

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Statement of Cash Flows - continued

For the year ended 31 December 2011

DOLLARS IN THOUSANDS	Note	Group 2011	Group 2010	Parent 2011	Parent 2010
RECONCILIATION OF NET PROFIT/(LOSS) FOR THE YEAR TO CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) for the year		25,027	(12,641)	10,890	(62)
Adjusted for non cash items:					
Amortisation of intangibles	12	-	69	-	69
Impairment of intangibles	12	-	461	-	461
(Gain)/loss on sale of property, plant and equipment	2,3	(26)	64	-	13
Gain on disposal of damaged property	2,10	(5,452)	-	-	-
Depreciation	10	7,562	7,093	3,239	3,154
Unrealised foreign exchange (gains)/losses		7	(21)	-	-
Share of (profit)/loss of associate	13	(4,572)	330	-	-
Income tax expense	6	8,478	27,207	3,603	11,743
		31,024	**22,562**	**17,732**	**15,378**
Adjustments for movements in working capital:					
Decrease/(increase) in trade & other receivables		(672)	3,312	(2,991)	(7,998)
Decrease/(increase) in inventories		29	130	(30)	37
(Increase) in development properties		(1,497)	(261)	-	-
Increase in trade & other payables		255	8,576	815	3,983
Increase/(decrease) in related parties		134	3,406	(530)	3,339
Cash generated from operations		**29,273**	**37,725**	**14,996**	**14,739**
Interest expense	5	(1,985)	(1,771)	(431)	(56)
Income tax paid		(5,433)	(5,164)	(2,734)	(3,244)
Cash inflows from operating activities		**21,855**	**30,790**	**11,831**	**11,439**

The accompanying notes form part of, and should be read in conjunction with, these financial statements

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Significant accounting policies

Millennium & Copthorne Hotels New Zealand Limited is a company domiciled in New Zealand registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. Millennium & Copthorne Hotels New Zealand Limited (the "Company") is an issuer in terms of the Financial Reporting Act 1993. The financial statements of the Company for the year ended 31 December 2011 comprise the Company and its subsidiaries (together referred to as the "Group"). The registered office is located at Level 13, 280 Centre, 280 Queen Street, Auckland, New Zealand.

The principal activities of the Group are ownership and operation of hotels in New Zealand; residential development and sale of land in New Zealand; development and sale of residential units in Australia and associate investment in residential and commercial property development in China.

(a) Statement of compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRSs) as appropriate for profit-oriented entities. The financial statements also comply with International Financial Reporting Standards (IFRSs).

The financial statements were authorised for issuance on 22 February 2012.

(b) Basis of preparation

The financial statements are presented in New Zealand Dollars, rounded to the nearest thousand. They are prepared on the historical cost basis except that hotel land and buildings are stated at their fair value.

The preparation of financial statements in conformity with NZ IFRSs requires management to make judgments, estimates and assumptions that affect the application of the Group's policies and reported amounts of assets and liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in Note 27 - Accounting Estimates and Judgements.

(c) Change in accounting policies

The accounting policies have been applied consistently to all periods presented in these financial statements.

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Significant accounting policies - continued

(d) Basis of consolidation

Subsidiaries
Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation
Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions, are eliminated in preparing the financial statements. Unrealised gains arising from transactions with jointly controlled entities are eliminated to the extent of the Group's interest in the entity. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investments in associates
Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. They are accounted for using the equity method. The financial statements include the Group's share of the income, expenses and reserves of the associate from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

(e) Foreign currency

Foreign currency transactions
Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance date are translated to New Zealand dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to New Zealand dollars at foreign exchange rates ruling at the dates the fair value was determined.

Financial statements of foreign operations
The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to New Zealand dollars at foreign exchange rates ruling at the balance date. The revenues and expenses of foreign operations are translated to New Zealand dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign exchange differences arising on re-translation are recognised directly as a separate component of equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the exchange reserve is released into the income statement.

(f) Financial instruments

Non-derivative financial instruments
Non-derivative financial instruments comprise related party advances, trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through the income statement, any directly attributable transaction costs. Subsequent to initial recognition non-derivative financial instruments are measured as described in accounting policies below.

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Significant accounting policies - continued

(f) Financial instruments - continued

Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfer the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Accounting for finance income and expense is discussed in accounting policy (v).

(g) Insurance proceeds

Compensation from third parties for items of property, plant and equipment that were damaged, impaired, lost or given up is included in the profit or loss when the compensation becomes virtually certain. Any subsequent purchase or construction of replacement assets are separate economic events and are accounted for separately.

Compensation from third parties to cover business interruption is determined with the agreed formula in the insurance policy and recognised in the profit and loss for the applicable period. Instalment payments from third parties are not recognised in the profit and loss until full settlement is agreed with the third parties.

(h) Property, plant and equipment

Initial recording
Items of property, plant and equipment are initially stated at cost. The cost of purchased property, plant and equipment is the value of the consideration given to acquire the assets and the value of other directly attributable costs, which have been incurred in bringing the assets to the location and condition necessary for their intended service. Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Capital expenditure on major projects is recorded separately within property, plant and equipment as capital work in progress. Once the project is complete the balance is transferred to the appropriate property, plant and equipment categories. Capital work in progress is not depreciated.

Subsequent measurement
Property, plant and equipment is subsequently measured at cost less accumulated depreciation and impairment losses, except for land and buildings which are re-valued. The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

Disposal or retirement
Gains or losses arising from the disposal or retirement of property, plant and equipment are determined as the difference between the actual net disposal proceeds and the carrying amount of the asset and are recognised in the income statement on the date of retirement or disposal.

Revaluation
Land and buildings are shown at fair value less subsequent depreciation for buildings. Fair value is determined by management using valuation models and confirmed by independent registered valuers on a triennial basis. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the re-valued amount of the asset. Any decreases in value that offset a previous increase in value of the same asset is charged against reserves in equity, any other decrease in value is charged to the income statement.

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Significant accounting policies - continued

(h) Property, plant and equipment - continued

Depreciation
Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or re-valued amounts to their residual values over their estimated useful lives, as follows:

Building core	50 years or lease term if shorter
Building surfaces and finishes	30 years or lease term if shorter
Plant and machinery	15 - 20 years
Furniture and equipment	10 years
Soft furnishings	5 - 7 years
Computer equipment	5 years
Motor vehicles	4 years

No residual values are ascribed to building surfaces and finishes. Residual values ascribed to building core depend on the nature, location and tenure of each property.

(i) Investment in subsidiaries

Investments in subsidiaries are stated at cost less any provision for permanent diminution in value, which is recorded through the income statement.

(j) Development properties

Property held for future development and development property completed and held for sale are stated at the lower of cost and net realisable value. The net realisable value is determined by independent valuers. Cost includes the cost of acquisition, development, and holding costs such as interest. Interest and other holding costs incurred after completion of development are expensed as incurred. All holding costs are written off through the income statement in the year incurred with the exception of interest holding costs which are capitalised during the period when active development is taking place. Revenue and profit are not recognised on development properties until the legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs.

(k) Intangible assets

Goodwill
All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries. For business acquisitions that have occurred between 1 January 2004 and 31 December 2009, goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired. For acquisitions prior to this date, goodwill is included on the basis of its deemed cost, which represents the amount recorded under previous Generally Accepted Accounting Practice. For acquisitions on or after January 2010, the Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is not amortised but is tested annually for impairment (see accounting policy (o)).

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Significant accounting policies - continued

(k) Intangible assets - continued

Other intangible assets
Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (see below) and impairment losses (see accounting policy (o)).

Subsequent expenditure
Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Amortisation
Amortisation is charged to the income statement on a straight-line basis over the estimated useful lives of other intangible assets.

The estimated useful lives utilised are as follows:

Management contracts	12 years
Leasehold interests	10 - 27 years

(l) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(m) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy (o)).

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

The cost of inventories is based on the first-in first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

(o) Impairment

The carrying amounts of the Group's assets other than development properties (see accounting policy (j)), inventories (see accounting policy (n)) and deferred tax assets (see accounting policy (w)), are reviewed at each balance date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

In relation to properties that have been damaged by earthquakes, the land and building are separately reviewed for impairment. The carrying value of land is compared to its fair value in use. The carrying value of building is compared to the indemnified sum insured for material damage.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in the income statement unless the asset is recorded at a re-valued amount in which case it is treated as a revaluation decrease through the statement of comprehensive income.

Significant accounting policies - continued

(o) Impairment - continued

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to cash-generating units (groups of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) **Calculation of recoverable amount**
The recoverable amount of the Group's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) **Reversals of impairment**
An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

(p) Interest-bearing loans and borrowings

Interest-bearing loans and borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statement over the period of the borrowings on an effective interest basis.

(q) Employee long-term service benefits

The Group's net obligation in respect of long-term service benefits, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using their expected remuneration and an assessment of likelihood the liability will arise.

(r) Provisions

A provision is recognised in the statement of financial position when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Significant accounting policies - continued

(s) Trade and other payables

Trade and other payables are stated at cost.

(t) Share capital

Repurchase of share capital
When share capital recognised as equity is repurchased, the amount of the consideration paid, including directly attributed costs, is recognised as a change in equity. Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

Dividends
Dividends are recognised as a liability in the period in which they are declared.

(u) Revenue

Revenue represents amounts derived from:

- The ownership, management and operation of hotels: recognised on an accruals basis to match the provision of the related goods and services.
- Income from property rental: recognised on an accruals basis, straight line over the lease period. Lease incentives granted are recognised as an integral part of the total rental income.
- Income from development property sales: recognised on the transfer of the related significant risk and rewards of ownership, which is not until legal title passes to the buyer when the full settlement of the purchase consideration of the properties occurs.

(v) Expenses

Operating lease payments
Payments made under operating leases are recognised in the income statement on a straight line basis over the term of the lease. Lease incentives received are recognised in the income statement as an integral part of the total lease expense.

Finance lease payments
Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Finance income and expenses
Finance income comprises interest income on funds invested, dividend income and foreign currency gains that are recognised in profit or loss. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in the income statement on the date the entity's right to receive payments is established which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest payable on borrowings calculated using the effective interest rate method and foreign exchange losses that are recognised in the income statement.

Interest attributable to funds used to finance the development or construction of new hotels, major extensions to existing hotels or development properties is capitalised gross of tax relief and added to the cost of the hotel core buildings or development property.

Significant accounting policies - continued

(w) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in other comprehensive income or equity, in which case it is recognised in other comprehensive income or equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of the temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that neither affect accounting nor taxable profit; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax assets and deferred tax liabilities are offset only if the Group has a legally enforceable right to set off current tax assets against current tax liabilities; the Group intends to settle net; and the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(x) Segment reporting

An operating segment is a distinguishable component of the Group:

- that is engaged in business activities from which it earns revenues and incurs expenses,
- whose operating results are regularly reviewed by the Group's chief operating decision maker to make decisions on resource allocation to the segment and assess its performance, and
- for which discrete financial information is available.

KPMG

Significant accounting policies - continued

(y) New standards and interpretations not yet adopted

The following new standards and amendments to standards are not yet effective for the year ended 31 December 2011, and have not been applied in preparing these financial statements.

- *Amendments to NZ IAS 12 - Deferred Tax: recovery of Underlying Assets (effective after 1 January 2012)*
- *Amendment to NZ IAS 1 - Presentation of Items of Other Comprehensive Income (effective after 1 July 2012)*
- *Amendments to NZ IFRS 7 - Disclosures - Transfers of Financial Assets (effective after 1 July 2011)*
- *NZ IFRS 9 - Financial Instruments (effective after 1 January 2015)*
- *NZ IFRS 10 - Consolidated Financial Statements (effective after 1 January 2013)*
- *NZ IFRS 11 - Joint Arrangements (effective after 1 January 2013)*
- *NZ IFRS 12 - Disclosure of Interests in Other Entities (effective after 1 January 2013)*
- *NZ IFRS 13 - Fair Value Measurement (effective after 1 January 2013)*
- *NZ IAS 19 - Employee Benefits (effective after 1 January 2013)*
- *NZ IAS 27 - Separate Financial Statements (effective after 1 January 2013)*
- *NZ IAS 28 - Investments in Associates and Joint Ventures (effective after 1 January 2013)*

The adoption of these standards is not expected to have a material impact on the Group's or Company's financial statements except for NZ IAS 28 - Investments in Associates and Joint Ventures which affect disclosures.

(z) Comparatives

Certain comparatives have been reclassified to conform to the current year's presentation.

KPMG

Index

1. Segment reporting
2. Other income
3. Administration and other operating expenses
4. Personnel expenses
5. Net finance income
6. Income tax expense
7. Imputation credits
8. Capital and reserves
9. Earnings per share
10. Property, plant and equipment
11. Development properties
12. Intangible assets
13. Investment in associates
14. Cash and cash equivalents
15. Trade and other receivables
16. Inventories
17. Current tax assets and liabilities
18. Interest-bearing loans and borrowings
19. Provisions
20. Deferred tax assets and liabilities
21. Trade and other payables
22. Financial instruments
23. Operating leases
24. Capital commitments
25. Related parties
26. Group entities
27. Accounting estimates and judgements
28. Subsequent events

KPMG KPMG

1. Segment reporting

Segment information is presented in respect of the Group's reporting segments. Operating segments are the primary basis of segment reporting. The Group has determined that its chief operating decision maker is the Board of Directors on the basis that it is this group which determines the allocation of resources to segments and assesses their performance.

Inter-segment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Operating segments

The Group consisted of the following main operating segments:

- Hotel operations, comprising income from the ownership and management of hotels.
- Residential land development, comprising the development and sale of land.
- Residential and commercial property development, comprising the development and sale of residential apartments and commercial properties.

Geographical areas

The Group operates in the following main geographical areas:

- New Zealand.
- Australia.
- Asia.

Segment revenue is based on the geographical location of the asset. The Group has no major customer representing greater than 10% of the Group's total revenue.

The Parent operates in one segment only, being ownership and management of hotels in New Zealand.

Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries

Notes to the Financial Statements for the year ended 31 December 2011

1. **Segment reporting** - continued

Operating segments

Dollars In Thousands	Hotel Operations 2011	Hotel Operations 2010	Residential Land Development 2011	Residential Land Development 2010	Residential & Commercial Property Development 2011	Residential & Commercial Property Development 2010	Group 2011	Group 2010
External revenue	84,979	102,177	11,397	9,430	3,084	2,882	99,460	114,489
Finance income	421	442	298	283	2,408	1,341	3,127	2,066
Finance expense	(1,266)	(1,637)	-	-	(719)	(134)	(1,985)	(1,771)
Depreciation and amortisation	(7,510)	(7,112)	(5)	(4)	(47)	(46)	(7,562)	(7,162)
Segment profit before income tax	21,710	9,098	5,359	4,019	1,864	1,779	28,933	14,896
Share of profit/(loss) of associates	-	-	-	-	4,572	(330)	4,572	(330)
Profit/(loss) before income tax	21,710	9,098	5,359	4,019	6,436	1,449	33,505	14,566
Income tax expense	(5,165)	(26,282)	(1,571)	(1,108)	(1,742)	183	(8,478)	(27,207)
Other material non-cash items:								
Business interruption insurance income	12,442	1,397	-	-	-	-	12,442	1,397
Earthquake provisions	(2,356)	(4,920)	-	-	-	-	(2,356)	(4,920)
Segment assets	347,489	362,397	99,160	95,568	88,748	87,567	535,397	545,532
Tax assets	-	27	-	(267)	-	593	-	353
Investment in associates	-	-	2	2	124,949	84,870	124,951	84,872
Total assets	347,489	362,424	99,162	95,303	213,697	173,030	660,348	630,757
Segment liabilities	(85,018)	(65,303)	(345)	(168)	(4,705)	(5,849)	(90,068)	(71,320)
Tax liabilities	(46,794)	(45,263)	(834)	(300)	(3,103)	(3,006)	(50,731)	(48,569)
Total liabilities	(131,812)	(110,566)	(1,179)	(468)	(7,808)	(8,855)	(140,799)	(119,889)
Capital expenditure	5,103	4,741	7	1	4	8	5,114	4,750

Geographical areas

Dollars In Thousands	New Zealand 2011	New Zealand 2010	Australia 2011	Australia 2010	Asia 2011	Asia 2010	Group 2011	Group 2010
External revenue	96,376	111,607	3,084	2,882	-	-	99,460	114,489
Finance income	803	749	1,285	1,317	1,039	-	3,127	2,066
Finance expense	(1,982)	(1,775)	(3)	4	-	-	(1,985)	(1,771)
Depreciation and amortisation	(7,515)	(7,116)	(47)	(46)	-	-	(7,562)	(7,162)
Segment profit before income tax	27,640	13,370	1,293	1,526	-	-	28,933	14,896
Share of profit /(loss) of associates	-	-	-	-	4,572	(330)	4,572	(330)
Profit/(loss) before income tax	27,640	13,370	1,293	1,526	4,572	(330)	33,505	14,566
Income tax expense	(8,125)	(26,795)	(353)	(412)	-	-	(8,478)	(27,207)
Other material non-cash items:								
Business interruption insurance income	12,442	1,397	-	-	-	-	12,442	1,397
Earthquake provisions	(2,356)	(4,920)	-	-	-	-	(2,356)	(4,920)
Segment assets	447,893	456,351	87,504	89,181	-	-	535,397	545,532
Tax assets	-	445	-	(92)	-	-	-	353
Investment in associates	2	2	-	-	124,949	84,870	124,951	84,872
Total assets	447,895	456,798	87,504	89,089	124,949	84,870	660,348	630,757
Segment liabilities	(89,067)	(70,312)	(1,001)	(1,008)	-	-	(90,068)	(71,320)
Tax liabilities	(48,106)	(45,834)	(2,625)	(2,735)	-	-	(50,731)	(48,569)
Total liabilities	(137,173)	(116,146)	(3,626)	(3,743)	-	-	(140,799)	(119,889)
Capital expenditure	5,110	4,742	4	8	-	-	5,114	4,750

2. Other income

Dollars In Thousands	Note	Group 2011	Group 2010	Parent 2011	Parent 2010
Business interruption insurance income		12,442	1,397	7,995	-
Gain on disposal of damaged property	10	5,452	-	-	-
		17,894	1,397	7,995	-

The business interruption insurance income relates to the three Christchurch properties affected by the earthquakes. The gain on disposal of damaged property relates to the settlement of material damage claims with insurers regarding, Copthorne Hotel Christchurch City which was demolished in the second half of the year.

3. Administration and other operating expenses

Dollars In Thousands	Note	Group 2011	Group 2010	Parent 2011	Parent 2010
Depreciation	10	7,562	7,093	3,239	3,154
Auditors remuneration					
Audit fees		331	346	122	128
Tax compliance and advisory		323	474	20	77
Directors fees	25	334	321	151	138
Lease and rental expenses	23	6,472	7,009	2,593	2,832
Provision for bad debts					
Debts written off		26	66	15	32
Movement in doubtful debt provision		(30)	76	(11)	9
Amortisation of other intangibles	12	-	69	-	69
Impairment loss on goodwill	12	-	461	-	461
Net (gain)/loss on disposal of property, plant and equipment		(26)	64	-	13
Insurance excess costs of Christchurch earthquake	19	1,067	3,064	343	2,340
Other		30,747	32,432	11,360	12,309
		46,806	51,475	17,832	21,562

4. Personnel expenses

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Wages and salaries	34,345	38,671	11,835	14,373
Employee related expenses and benefits	5,682	6,905	2,315	3,043
Contributions to defined contribution plans	340	326	91	100
Increase/(decrease) in liability for long-service leave	(71)	(29)	-	5
	40,296	45,873	14,241	17,521

The personnel expenses are included in cost of sales, administration expenses and other operating expenses in the income statement. Total personnel expenses include a total of $0.8million of redundancy costs associated with the closure of the Groups' three hotels in Christchurch.

5. Net finance income

Recognised in the income statement

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Interest income	2,067	1,974	1,060	462
Dividend income	4	34	1,994	2,240
Net foreign exchange gain	1,056	58	-	58
Finance income	3,127	2,066	3,054	2,760
Interest expense	(1,985)	(1,771)	(431)	(56)
Finance costs	(1,985)	(1,771)	(431)	(56)
Net finance income recognised in the income statement	1,142	295	2,623	2,704

Recognised in other comprehensive income

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Foreign exchange translation movements	(43)	1,601	-	-
Net finance income recognised in other comprehensive income	(43)	1,601	-	-

6. Income tax expense

Recognised in the income statement

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Current tax expense				
Current year	8,170	5,185	3,711	3,732
Adjustments for prior years	(116)	(317)	(100)	43
	8,054	4,868	3,611	3,775
Deferred tax expense				
Origination and reversal of temporary difference	941	(891)	(211)	(513)
Adjustments for prior years	(517)	(102)	203	(102)
Change in building depreciation treatment	-	24,609	-	9,847
Change in corporate tax rate	-	(1,277)	-	(1,264)
	424	22,339	(8)	7,968
Total income tax expense in income statement	**8,478**	**27,207**	**3,603**	**11,743**

Reconciliation of tax expense

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Profit before income tax	33,505	14,566	14,493	11,681
Income tax at the company tax rate of 28% (2010: 30%)	9,381	4,370	4,058	3,504
Adjusted for:				
Non-deductible expenses	2	245	-	143
Imputation credits	-	(345)	(558)	(336)
Tax rate difference (if different from 28% above)	8	-	-	-
Tax exempt revenues	(225)	264	-	(92)
Tax arising from investment in associate	(55)	(240)	-	-
Change in New Zealand corporate tax rate	-	(1,277)	-	(1,264)
(Over)/under provided in prior years	(633)	(419)	103	(59)
Income tax expense pre Government Budget changes	8,478	2,598	3,603	1,896
Change in building depreciation treatment	-	24,609	-	9,847
Total income tax expense	**8,478**	**27,207**	**3,603**	**11,743**
Effective tax rate	25%	187%	25%	101%

6. Income tax expense - continued

In the May 2010 Budget the Government announced a reduction in the corporate tax rate from 30% to 28% and the removal of the ability to depreciate buildings with an estimated useful life of 50 years or more for tax purposes. Both of these changes were effective for the Group from 1 January 2011.

Deferred tax recognised in other comprehensive income

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Relating to revaluation of property, plant and equipment	328	4,787	752	1,267
Relating to foreign currency translation of foreign subsidiaries	(291)	950	-	-
	37	5,737	752	1,267

7. Imputation credits

Dollars In Thousands	Parent 2011	Parent 2010
Balance at beginning of year	11,511	9,590
Imputation credits attached to dividends received	855	480
Taxation paid	3,822	3,061
Taxation refunded	(1,217)	-
Taxation transferred	-	46
Imputation credits attached to dividends paid	(1,666)	(1,666)
	13,305	11,511
The imputation credits are available to shareholders of the parent company as follows :		
Through the parent company	13,305	11,511
Through subsidiaries	20,943	20,526
	34,248	32,037

The KIN Holdings Group has A$9.5 million (2010: A$9.3 million) franking credits available as at 31 December 2011.

8. Capital and reserves

Share capital

	Group and Parent 2011 Shares	2011 $000's	2010 Shares	2010 $000's
Shares issued 1 January	349,598,066	430,330	349,598,066	430,330
Total shares issued at 31 December - fully paid	349,598,066	430,330	349,598,066	430,330
Shares repurchased and held as treasury stock	(329,627)	(85)	(329,627)	(85)
Total shares issued and outstanding	349,268,439	430,245	349,268,439	430,245

All shares carry equal rights and rank pari passu with regard to residual assets of the Company.

At 31 December 2011, the authorised share capital consisted of 349,598,066 ordinary shares (2010: 349,598,066 ordinary shares) with no par value.

Revaluation reserve
The revaluation reserve relates to property, plant and equipment. Movements in the revaluation reserve arise from the revaluation surpluses and deficits of property, plant and equipment.

Exchange reserve
The exchange reserve comprises the foreign exchange differences arising from the translation of the financial statements of foreign operations.

KPMG

8. Capital and reserves - continued

Dividends
The following dividends were declared and paid during the year ended 31 December:

Dollars In Thousands	Parent	
	2011	2010
Ordinary Dividend - 1.2 cents per qualifying ordinary share (2010: 1.2 cents)	4,191	4,191

After 31 December 2011 the following dividends were declared by the directors. The dividends have not been provided for and there are no income tax consequences.

Dollars In Thousands	Parent
Ordinary Dividend - 1.2 cents per qualifying ordinary share	4,191

9. Earnings per share

Basic earnings per share
The calculation of basic earnings per share at 31 December 2011 was based on the profit attributable to ordinary shareholders of $20,619,000 (2010: $10,123,000 loss) and weighted average number of ordinary shares outstanding during the year ended 31 December 2011 of 349,268,439 (2010: 349,268,439), calculated as follows:

Profit/(loss) attributable to ordinary shareholders

Dollars In Thousands	Group	
	2011	2010
Profit/(loss) for the year	25,027	(12,641)
Profit/(loss) attributable to non-controlling interests	(4,408)	2,518
Profit/(loss) attributable to ordinary shareholders	20,619	(10,123)

Weighted average number of ordinary shares

	Group	
	2011	2010
Issued ordinary shares at 1 January	349,598,066	349,598,066
Effect of own shares held	(329,627)	(329,627)
Weighted average number of ordinary shares at 31 December	349,268,439	349,268,439

Diluted earnings per share
The calculation of diluted earnings per share is the same as basic earnings per share.

Earnings per share for continuing and discontinued operations
There were no discontinued operations during the year.

10. Property, plant and equipment

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost							
Balance at 1 January 2010	111,478	164,497	23,219	103,066	158	444	402,862
Acquisitions	-	86	-	784	-	3,880	4,750
Disposals	-	-	-	(631)	-	-	(631)
Transfers between categories	-	12	-	435	1	(448)	-
Transfer from accumulated depreciation following revaluation	-	(806)	(12)	-	-	-	(818)
Movements in foreign exchange	-	-	-	37	2	-	39
Revaluation surplus/(deficit)	(7,834)	15,893	803	-	-	-	8,862
Balance at 31 December 2010	**103,644**	**179,682**	**24,010**	**103,691**	**161**	**3,876**	**415,064**
Balance at 1 January 2011	103,644	179,682	24,010	103,691	161	3,876	415,064
Acquisitions	-	88	5	945	12	4,064	5,114
Repairs completed by insurers	-	-	2,559	-	-	-	2,559
Disposals	-	-	(2,559)	(9,078)	(31)	-	(11,668)
Transfers between categories	-	2,763	484	(191)	-	(3,056)	-
Transfer from accumulated depreciation following revaluation	-	(127)	(249)	-	-	-	(376)
Movements in foreign exchange	-	-	-	(12)	(1)	-	(13)
Impairment	-	(1,700)	-	-	-	-	(1,700)
Revaluation surplus/(deficit)	(5,118)	2,684	(41)	-	-	-	(2,475)
Balance at 31 December 2011	**98,526**	**183,390**	**24,209**	**95,355**	**141**	**4,884**	**406,505**
Depreciation and impairment losses							
Balance at 1 January 2010	-	(5,816)	(1,437)	(69,228)	(138)	-	(76,619)
Depreciation charge for the year	-	(1,274)	(416)	(5,391)	(12)	-	(7,093)
Disposals	-	-	-	579	-	-	579
Transfer accumulated depreciation against cost following revaluation	-	806	12	-	-	-	818
Movements in foreign exchange	-	-	-	(28)	(2)	-	(30)
Balance at 31 December 2010	**-**	**(6,284)**	**(1,841)**	**(74,068)**	**(152)**	**-**	**(82,345)**
Balance at 1 January 2011	-	(6,284)	(1,841)	(74,068)	(152)	-	(82,345)
Depreciation charge for the year	-	(1,741)	(214)	(5,600)	(7)	-	(7,562)
Disposals	-	-	-	7,509	31	-	7,540
Transfers between categories	-	(1,267)	(186)	1,456	(3)	-	-
Transfer accumulated depreciation against cost following revaluation	-	127	249	-	-	-	376
Movements in foreign exchange	-	-	-	8	1	-	9
Balance at 31 December 2011	**-**	**(9,165)**	**(1,992)**	**(70,695)**	**(130)**	**-**	**(81,982)**
Carrying amounts							
At 1 January 2010	111,478	158,681	21,782	33,838	20	444	326,243
At 31 December 2010	**103,644**	**173,398**	**22,169**	**29,623**	**9**	**3,876**	**332,719**
At 1 January 2011	103,644	173,398	22,169	29,623	9	3,876	332,719
At 31 December 2011	**98,526**	**174,225**	**22,217**	**24,660**	**11**	**4,884**	**324,523**

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Millennium & Copthorne Hotels New Zealand Limited and Subsidiaries
Notes to the Financial Statements for the year ended 31 December 2011

10. Property, plant and equipment - continued

Parent

Dollars In Thousands	Freehold Land	Freehold Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Cost						
Balance at 1 January 2010	68,324	92,022	52,020	54	306	212,726
Acquisitions	-	86	443	-	27	556
Disposals	-	-	(124)	-	-	(124)
Transfer from accumulated depreciation	-	(182)	-	-	-	(182)
Revaluation surplus/(deficit)	(1,565)	2,623	-	-	-	1,058
Balance at 31 December 2010	**66,759**	**94,549**	**52,339**	**54**	**333**	**214,034**
Balance at 1 January 2011	66,759	94,549	52,339	54	333	214,034
Acquisitions	-	88	313	12	3,255	3,668
Disposals	-	-	(132)	(15)	-	(147)
Earthquake damage disposals						
Transfer from accumulated depreciation	-	(127)	-	-	-	(127)
Revaluation surplus	(5,118)	2,684	-	-	-	(2,434)
Balance at 31 December 2011	**61,641**	**97,194**	**52,520**	**51**	**3,588**	**214,994**
Depreciation and impairment losses						
Balance at 1 January 2010	-	(4,449)	(35,323)	(54)	-	(39,826)
Depreciation charge for the year	-	(798)	(2,356)	-	-	(3,154)
Disposals	-	-	124	-	-	124
Transfer accumulated depreciation against cost following revaluation	-	182	-	-	-	182
Balance at 31 December 2010	**-**	**(5,065)**	**(37,555)**	**(54)**	**-**	**(42,674)**
Balance at 1 January 2011	-	(5,065)	(37,555)	(54)	-	(42,674)
Depreciation charge for the year	-	(986)	(2,253)	-	-	(3,239)
Disposals	-	-	128	15	-	143
Transfers between categories	-	(568)	569	(1)	-	-
Transfer accumulated depreciation against cost following revaluation	-	127	-	-	-	127
Balance at 31 December 2011	**-**	**(6,492)**	**(39,111)**	**(40)**	**-**	**(45,643)**
Carrying amounts						
At 1 January 2010	68,324	87,573	16,697	-	306	172,900
At 31 December 2010	**66,759**	**89,484**	**14,784**	**-**	**333**	**171,360**
At 1 January 2011	66,759	89,484	14,784	-	333	171,360
At 31 December 2011	**61,641**	**90,702**	**13,409**	**11**	**3,588**	**169,351**

The Directors consider the value of the hotel assets with a net book value of $325 million (2010: $333 million) to be within a range of $337 to $357 million (2010: $361 to $386 million). This is substantiated by valuations completed by Bower Valuations Limited, registered valuers, in December 2009, 2010 and 2011, in respect of hotel assets in Millennium & Copthorne Hotels New Zealand Limited of $210 million (2010: $234 million) and in respect of hotel assets in Quantum Limited of $147 million (2010: $152 million).

During 2011 three (2010: eight) of the Group's freehold hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis. Based on these valuations and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $2.475 million (2010: $8.862 million added) has been deducted from the carrying values of land and buildings.

During 2011 two (2010: one) of the Parent's freehold hotel properties were subject to an external professional valuation by Bower Valuations Limited, registered valuers, on a highest and best use basis.

Based on this valuation and in accordance with the Group's accounting policies the respective properties' land and buildings were revalued to their fair value. A total of $2.434 million (2010: $1.058 million added) has been deducted from the carrying values of land and buildings.

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10. Property, plant and equipment - continued

The Group's hotel properties are fair valued by independent valuers. The basis of the valuation is the net present value of the future earnings of the assets. The major inputs and assumptions that are used in the valuation model that require judgement include forecasts of the future earnings, projected operational and maintenance expenditure profiles and discount rates (internal rate of return).

The Directors consider the net book value of the hotels not valued by independent valuers in 2011 to approximate their fair value as at 31 December 2011.

During the year, the Group's hotels which were not subject to external professional valuations were tested for impairment. Based on these tests a total of $1.700 million (2010: $nil) has been deducted from the carrying value of freehold land and buildings. The testing for impairment requires management to estimate future cash flows to be generated by the cash generating units. In estimating future cash flows, management has to make judgements on expected rate of growth in revenue and costs, market segment mix, occupancy, average room rates expected to be achieved and the appropriate discount rate to apply when discounting future cash flows. Average annual growth rates appropriate to the hotels range from 0.5% to 8.4% (2010: 1.4% to 2.4%) over the five years projection. Pre-tax discount rates ranging between 7.25% and 14.50% (2010: 9.50% to 14.00%) were applied to the future cash flows of the individual hotels based on the specific circumstances of the property.

Had the property, plant and equipment been carried under the cost model, the following carrying values would have been recognised:

Group

Dollars In Thousands	Freehold Land	Freehold Buildings	Leasehold Land and Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Carrying amounts							
At 1 January 2010	45,794	107,558	24,782	33,838	20	444	212,436
At 31 December 2010	**45,794**	**106,382**	**24,366**	**29,623**	**9**	**3,876**	**210,050**
At 1 January 2011	45,794	106,382	24,366	29,623	9	3,876	210,050
At 31 December 2011	**45,794**	**106,225**	**24,455**	**24,660**	**11**	**4,884**	**206,029**

Parent

Dollars In Thousands	Freehold Land	Freehold Buildings	Plant, Equipment, Fixtures and Fittings	Motor Vehicles	Work In Progress	Total
Carrying amounts						
At 1 January 2010	37,594	56,372	16,697	0	307	110,970
At 31 December 2010	**37,594**	**55,660**	**14,784**	**0**	**333**	**108,371**
At 1 January 2011	37,594	55,660	14,784	0	333	108,371
At 31 December 2011	**37,594**	**54,194**	**13,409**	**11**	**3,588**	**108,796**

CANTERBURY EARTHQUAKE

The Canterbury region and Christchurch city suffered two earthquakes on 4 September 2010 and 22 February 2011. The September event affected the Group's three Christchurch CBD hotels; Millennium Hotel Christchurch (leased); Copthorne Hotel Christchurch Central (owned); and Copthorne Hotel Christchurch City (leased). Both Millennium Hotel Christchurch and Copthorne Hotel Christchurch Central suffered minor damage but remained open for business. Copthorne Hotel Christchurch City closed to effect repairs to guest rooms and public areas together with a refurbishment of the same and reopened for business on 12 February 2011. These repairs, totalling $2.559 million were capitalised from work in progress to leasehold land and buildings.

10. Property, plant and equipment - continued

The effects of the 22 February 2011 earthquake have been more severe. Both Millennium Hotel Christchurch and Copthorne Hotel Christchurch Central are closed pending definitive structural engineering advice on the required repairs. The two hotels are within a restrictive cordon and access to the properties is severely restricted. The Group is insured for building damage and for business interruption for a period of 36 months in the case of Millennium Hotel Christchurch and for a period of 30 months in relation to Copthorne Hotel Christchurch Central from the second event.

The Canterbury Earthquake Recovery Authority assessed and issued a demolition notice for the Copthorne Hotel Christchurch City. The demolition was completed in November 2011. The newly repaired assets which were completed for the 12 February 2011 reopening were damaged and the total of $2.559 million was written off to the income statement. A settlement was reached with the landlord and insurers in regards to the property. The carrying value of the leased property of $1.52 million was disposed resulting in a net sum of $5.45 million as a gain on disposal of the damaged property in the income statement. The Group continues to be covered for business interruption for a period of 25 months from the second event.

In relation to the Copthorne Hotel Central Christchurch, the Directors have given specific consideration to whether the carrying value of land and buildings have been impaired. The lack of current transaction information to support an assessment of the market value of the hotel at balance date, uncertainty surrounding the recommendations that the engineers will make as to the future course of action for the building and the impact this has on the timing of reopening the hotel have all been considered together with the terms of the relevant insurance policies. At 31 December 2011, the Directors have concluded that any costs that arise are likely to be covered by the insurance policies and consequently there is no impairment of the carrying value of the assets. The redevelopment of the Christchurch CBD, the future demand for accommodation in the city and the nature of any changes made to the building codes could all impact this assessment in future periods and give rise to an impairment of the carrying value of the asset.

11. Development properties

	Group		Parent	
Dollars In Thousands	2011	2010	2011	2010
Development land	88,258	87,235	-	-
Residential development	63,288	64,124	-	-
	151,546	151,359	-	-
Less expected to settle within one year	(8,512)	(4,676)	-	-
	143,034	**146,683**	-	-
Development land recognised in cost of sales	4,130	3,709	-	-

Development land is carried at the lower of cost and net realisable value. No interest (2010: $nil) has been capitalised during the year. The value of development land held at 31 December 2011 was determined by an independent registered valuer, DM Koomen SPINZ, of Extensor Advisory Limited as $162.7 million (2010: $159.4 million).

The fair value of development land is determined by the independent valuer. The basis of the valuation is the hypothetical subdivision approach and/or block land sales comparisons to derive the residual block land values. The major inputs and assumptions that are used in the valuation model that require judgement include the individual section prices, allowances for profit and risk, projected completion and sell down periods and interest rate during the holding period.

Residential development at balance date consists of the residential development known as Zenith Residences in Sydney, Australia. The value of Zenith Residences held at 31 December 2011 was determined by R Laoulach of Landmark White (NSW) Pty Ltd, registered valuers as $78.4 million (A$59.9 million) (2010: $78.7 million (A$59.0 million)).

The fair value of the residential development is determined by the independent valuer. The basis of the valuation is gross realisations 'as is' assuming individual sales of unsold units. The major inputs and assumptions that are used in the valuation model that require judgement include interest rates, consumer confidence, unemployment and external economic factors.

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12. Intangible assets

	Group			
Dollars In Thousands	Goodwill	Leasehold Interests	Management Contracts	Total
Cost				
Balance at 1 January 2010	6,522	23,191	1,373	31,086
Transfer from amortisation	-	-	(1,373)	(1,373)
Balance at 31 December 2010	**6,522**	**23,191**	**-**	**29,713**
Balance at 1 January 2011	6,522	23,191	-	29,713
Balance at 31 December 2011	**6,522**	**23,191**	**-**	**29,713**
Amortisation and impairment losses				
Balance at 1 January 2010	(2,777)	(23,122)	(1,373)	(27,272)
Transfer to cost	-	-	1,373	1,373
Impairment for the year	(461)	-		(461)
Amortisation for the year	-	(69)		(69)
Balance at 31 December 2010	**(3,238)**	**(23,191)**	**-**	**(26,429)**
Balance at 1 January 2011	(3,238)	(23,191)	-	(26,429)
Balance at 31 December 2011	**(3,238)**	**(23,191)**	**-**	**(26,429)**
Carrying amounts				
At 1 January 2010	3,745	69	-	3,814
At 31 December 2010	**3,284**	**-**	**-**	**3,284**
At 1 January 2011	3,284	-	-	3,284
At 31 December 2011	**3,284**	**-**	**-**	**3,284**

The above goodwill is attributed to the following cash generating units: Copthorne Hotel Auckland Harbourcity $2,823,000 (2010: $2,823,000) and Kingsgate Hotel Greymouth $461,000 (2010: $461,000). The management contracts are attributable to the management of Kingsgate Hotel Queenstown Terraces. The previous management contracts have expired and therefore have been fully amortised over the contract period. The current management contracts do not carry any associated costs that are classified as intangible assets.

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12. **Intangible assets** - continued

Dollars In Thousands	Parent Goodwill	Parent Leasehold Interests	Parent Total
Cost			
Balance at 1 January 2010	6,522	391	6,913
Balance at 31 December 2010	**6,522**	**391**	**6,913**
Balance at 1 January 2011	6,522	391	6,913
Balance at 31 December 2011	**6,522**	**391**	**6,913**
Amortisation and impairment losses			
Balance at 1 January 2010	(2,777)	(322)	(3,099)
Impairment for the year	(461)	-	(461)
Amortisation for the year	-	(69)	(69)
Balance at 31 December 2010	**(3,238)**	**(391)**	**(3,629)**
Balance at 1 January 2011	(3,238)	(391)	(3,629)
Balance at 31 December 2011	**(3,238)**	**(391)**	**(3,629)**
Carrying amounts			
At 1 January 2010	3,745	69	3,814
At 31 December 2010	**3,284**	**-**	**3,284**
At 1 January 2011	3,284	-	3,284
At 31 December 2011	**3,284**	**-**	**3,284**

The above goodwill is attributed to the following cash generating units: Copthorne Hotel Auckland Harbourcity $2,823,000 (2010: $2,823,000) and Kingsgate Hotel Greymouth $461,000 (2010: $461,000)

Amortisation and impairment charge

The amortisation and impairment charge is recognised in other operating expenses in the income statement:

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Other operating expenses	-	530	-	530

Impairment

Goodwill is tested for impairment each year and intangibles are tested for impairment when there is an indicator of impairment. Goodwill is assessed for impairment by testing the value in use of the hotel to which the goodwill is allocated. Intangible assets are assessed for impairment by testing the value in use of the hotel to which the asset is allocated.

When testing the value in use of a hotel a discounted cash flow model is used. The future cash flows are projected over five years based on budgets and forecasts at growth rates appropriate to the business. Pre-tax discount rates ranging between 9.00% and 14.50% were applied to the future cash flows. Average annual growth rates appropriate to the hotels range from -0.2% to 4.3% over the five years projection.

In the 2011 review of goodwill, no impairment was found in respect of Copthorne Hotel Auckland Harbourcity or Kingsgate Hotel Greymouth. However in 2010, in the case of Kingsgate Hotel Greymouth, the goodwill was tested and found to be impaired. An impairment loss of $461,000 was charged to the profit and loss.

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13. Investment in associates

The Group's share of profit of its associate, First Sponsor Capital Limited ("FSCL") for the year was $4.57 million (2010: $0.33 million loss). Prestons Road Limited has no revenue or expenses, therefore the Group's share of profit of its associate was nil (2010: nil).

On 5 January 2011, the Group announced that settlement agreements had been entered into on 31 December 2010 between Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ"), Tai Tak Industries Pte. Limited ("Tai Tak"), Cheung Ping Kwong (Cheung) and his related company Guangdong Huiying Group Limited. Under the terms of the agreements, completion of certain transactions would result in full and final settlement of all outstanding issues between MCHNZ, Tai Tak, FSCL and Cheung in relation to First Sponsor Group Limited (FSGL), formerly known as Idea Valley Investment Holdings Limited (IVIHL), and its subsidiaries.

Cheung's interest in FSGL, has been transferred to FSCL and FSCL now controls 98.7% of FSGL. The remaining titles to the properties which were part of the settlement with Cheung have now been acquired and FSCL has control of the land portfolio in Guangdong Province.

As most of the material steps required to be executed by Cheung and his related company have been carried out, the financial impact of accounting for the settlement agreements has been recognised in the Group's financial statements for the year ended 31 December 2011.

In November 2011, the Group further increased its investment in FSCL by providing additional capital of US$ 30.00 million (NZ$ 39.67 million at the then prevailing exchange rate). This increased the Group's economic interest back up to 34.21%. The funding was provided to enable FSCL to successfully acquire two parcels of land in Chengdu, Sichuan Province in Western China.

The principal activities of FSCL and its subsidiaries are investment holding, property development and sales, property investments, real estate financing and the manufacture and sale of confectionery.

During the year, the Group maintained its 33.33% economic interest in Prestons Road Limited. The principal activity of Prestons Road Limited is as service provider to its subsidiary CDL Land New Zealand Limited and in this regard, it is charged with engaging suitably qualified consultants in fields such as geotechnical engineering, resource management compliance, subdivision of land, legal and regulatory compliance and related issues.

13. **Investment in associates** - continued

Summary financial information for associates, not adjusted for the percentage ownership held by the Group:

Dollars In Thousands	Ownership	Current Assets	Non-current Assets	Total Assets	Current Liabilities	Non-current Liabilities	Total Liabilities	Revenues	Expenses	Profit
2011										
First Sponsor Capital Limited	34.21%	592,595	235,649	828,244	(430,296)	(20,992)	(451,288)	16,632	(4,705)	11,927
Prestons Road Limited	33.33%	3,688	-	3,688	(3,682)	-	(3,682)	-	-	-
2010										
First Sponsor Capital Limited	29.63%	326,321	136,037	462,358	(125,741)	(18,190)	(143,931)	44,003	(43,075)	928
Prestons Road Limited	33.33%	3,049	-	3,049	(3,043)	-	(3,043)	-	-	-

Movements in the carrying value of associates:

	Group			
	First Sponsor Capital Ltd		Prestons Road Ltd	
Dollars In Thousands	2011	2010	2011	2010
Balance at 1 January	84,870	78,720	2	2
Investment in associate	39,674	10,633	-	-
Share of post acquisition movement in foreign exchange reserves for the year	2,568	(4,059)	-	-
Share of post acquisition capital reserves	(6,735)	(94)	-	-
Share of profit/(loss) for the year	4,618	(682)	-	-
Gain/(loss) on change in interest	(46)	352	-	-
Balance at 31 December	124,949	84,870	2	2

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14. Cash and cash equivalents

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Term deposits	32,363	30,239	-	-
Cash	4,814	9,047	263	4,537
Bank overdrafts	(863)	(864)	-	-
	36,314	38,422	263	4,537

15. Trade and other receivables

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Trade receivables	4,702	7,229	2,452	4,269
Insurance receivables	4,824	2,165	3,680	1,225
Other trade receivables and prepayments	8,709	8,801	797	330
	18,235	18,195	6,929	5,824

16. Inventories

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Consumables	670	696	337	312
Finished goods	825	828	115	110
	1,495	1,524	452	422
Inventory recognised in cost of sales	6,377	8,432	2,521	3,624

17. Current tax assets and liabilities

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Income tax receivable	-	353	-	-
Income tax payable	(1,701)	-	(272)	(1,285)

The current tax asset/(liability) represents the amount of income taxes receivable/(payable) in respect of current and prior periods.

18. Interest-bearing loans and borrowings

This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 22.

Group

					31 December 2011		31 December 2010	
Dollars in Thousands	Currency	Interest Rate	Maturity	Facility Total	Face Value	Carrying Amount	Face Value	Carrying Amount
Secured bank loan	NZD	3.560%	31 Oct 2014	12,500	12,500	12,500	12,500	12,500
Secured bank loan	NZD	3.560%	31 Oct 2014	12,500	12,500	12,500	12,500	12,500
Secured bank loan	NZD	3.560%	31 Oct 2014	10,000	10,000	10,000	10,000	10,000
Revolving credit	NZD	3.200%	31 Oct 2014	20,000	658	658	12,889	12,889
Secured bank loan	NZD	3.380%	1 July 2014	20,000	20,000	20,000	-	-
Revolving credit	NZD	3.200%	1 July 2014	25,000	7,619	7,619	-	-
TOTAL				100,000	63,277	63,277	47,889	47,889
Non-current					63,277	63,277	-	-
Current					-	-	47,889	47,889

Parent

					31 December 2011		31 December 2010	
Dollars in Thousands	Currency	Interest Rate	Maturity	Facility Total	Face Value	Carrying Amount	Face Value	Carrying Amount
Secured bank loan	NZD	3.380%	1 July 2014	20,000	20,000	20,000		
Revolving credit	NZD	3.200%	1 July 2014	25,000	7,619	7,619	-	-
TOTAL				45,000	27,619	27,619	-	-
Non-current					27,619	27,619	-	-
Current					-	-	-	-

Terms and debt repayment schedule

The bank loans are secured over land and buildings with a carrying amount of $268,288,000 (2010: $140,117,000) - refer to note 10. The bank loans have no fixed term of repayment before maturity. The Group's facility matures on 1 July 2014 and 31 October 2014 and the Parent Company's facility matures on 1 July 2014.

19. Provisions

	Group		Parent	
Dollars In Thousands	Earthquake provisions	FF&E and Site Restoration	Earthquake provisions	FF&E
Balance at 1 January 2010	-	582	-	407
Provisions made during the year	4,920	287	3,500	287
Provisions used during the year	-	(311)	-	(311)
Balance at 31 December 2010	**4,920**	**558**	**3,500**	**383**
Non-current	-	558	-	383
Current	4,920	-	3,500	-
Balance at 1 January 2011	4,920	558	3,500	383
Provisions made during the year	2,356	54	343	54
Provisions used during the year	(3,283)	-	-	-
Balance at 31 December 2011	**3,993**	**612**	**3,843**	**437**
Non-current	-	437	-	437
Current	3,993	175	3,843	-

An obligation exists under certain leases to restore various aspects for the effect of the Group's operations and to maintain hotel equipment in running order. Provisions in respect of the obligations have been recognised in accordance to the terms of the lease.

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19. Provisions - continued

The Group's three hotel properties and the Parent's two hotel properties affected by the Canterbury earthquakes are fully insured for material damage. Total material damages estimated at $4.920 million for the Group and $3.500 million for the Parent were provided in 2010 after the 4 September 2010 earthquake. The provision recorded relates to both cash amounts payable to the insurance companies of the Group of $3.064 million (Parent: $2.340 million) and amounts provided on the basis of engineering reports for damaged assets which are expected to be reimbursed under insurance policies of $1.856 million (Parent: $1.160 million). A receivable has been recorded in respect of amounts where the insurance company has accepted the claim. In relation to the 22 February 2011 earthquake an additional provision for material damage excess was booked for $1.067 million (Group) and $0.343 million (Parent). In relation to the demolition of Copthorne Hotel Christchurch City a provision for demolition costs was booked at $0.15 million (Group).

20. Deferred tax assets and liabilities

Recognised deferred tax assets and liabilities
Deferred tax assets and liabilities are attributable to the following:

	Group					
	Assets		Liabilities		Net	
Dollars In Thousands	2011	2010	2011	2010	2011	2010
Property, plant and equipment	-	-	47,157	48,309	47,157	48,309
Development properties	(1,210)	(1,197)	-	-	(1,210)	(1,197)
Provisions	(1,052)	(1,875)	-	-	(1,052)	(1,875)
Employee benefits	(637)	(731)	-	-	(637)	(731)
Trade and other payables	(707)	(542)	-	-	(707)	(542)
Net investment in foreign operations	-	-	5,479	4,605	5,479	4,605
Net tax (assets) / liabilities	(3,606)	(4,345)	52,636	52,914	49,030	48,569

	Parent					
	Assets		Liabilities		Net	
Dollars In Thousands	2011	2010	2011	2010	2011	2010
Property, plant and equipment	-	-	22,531	22,570	22,531	22,570
Provisions	(878)	(1,724)	-	-	(878)	(1,724)
Employee benefits	-	-	-	-	-	-
Trade and other payables	(197)	(134)	-	-	(197)	(134)
Net tax (assets) / liabilities	(1,075)	(1,858)	22,531	22,570	21,456	20,712

Movement in deferred tax balances during the year

	Group			
Dollars In Thousands	Balance 1 Jan 10	Recognised in income	Recognised in equity	Balance 31 Dec 10
Property, plant and equipment	20,016	23,506	4,787	48,309
Development properties	(1,055)	(47)	(95)	(1,197)
Provisions	(1,219)	(655)	(1)	(1,875)
Employee benefits	(743)	12	-	(731)
Trade and other payables	(395)	(147)	-	(542)
Net investment in foreign operations	3,985	(330)	950	4,605
	20,589	22,339	5,641	48,569

	Group			
Dollars In Thousands	Balance 1 Jan 11	Recognised in income	Recognised in equity	Balance 31 Dec 11
Property, plant and equipment	48,309	(1,480)	328	47,157
Development properties	(1,197)	(42)	29	(1,210)
Provisions	(1,875)	821	2	(1,052)
Employee benefits	(731)	92	2	(637)
Trade and other payables	(542)	(165)	-	(707)
Net investment in foreign operations	4,605	1,198	(324)	5,479
	48,569	424	37	49,030

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20. Deferred tax assets and liabilities - continued

Movement in deferred tax balances during the year

Dollars In Thousands	Parent			
	Balance 1 Jan 10	Recognised in income	Recognised in equity	Balance 31 Dec 10
Property, plant and equipment	12,866	8,437	1,267	22,570
Provisions	(1,056)	(668)	-	(1,724)
Employee benefits	(1)	1	-	-
Trade and other payables	(332)	198	-	(134)
	11,477	7,968	1,267	20,712

Dollars In Thousands	Parent			
	Balance 1 Jan 11	Recognised in income	Recognised in equity	Balance 31 Dec 11
Property, plant and equipment	22,570	(791)	752	22,531
Provisions	(1,724)	846	-	(878)
Employee benefits	-	-	-	-
Trade and other payables	(134)	(63)	-	(197)
	20,712	(8)	752	21,456

21. Trade and other payables

Dollars In Thousands	Group		Parent	
	2011	2010	2011	2010
Trade payables	1,576	1,606	479	828
Employee entitlements	2,146	2,509	-	-
Non-trade payables and accrued expenses	10,773	9,982	3,485	3,149
	14,495	14,097	3,964	3,977

22. Financial Instruments

The Group only holds non-derivative financial instruments which comprise cash and cash equivalents, trade and other receivables, trade receivables due from related parties, related party advances, secured bank loans, trade and other payables and trade payables due to related parties.

Exposure to credit, liquidity and market risks arises in the normal course of the Group's business.

Liquidity risk

Liquidity risk represents the Group's ability to meet its contractual obligations. The Group evaluates its liquidity requirements on an ongoing basis. In general, the Group generates sufficient cash flows from its operating activities to meet its obligations arising from its financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of financial assets. There are no significant aged debtors which have not been fully provided for.

Investments are allowed only in short-term financial instruments and only with counterparties approved by the Board, such that the exposure to a single counterparty is minimised.

At the balance date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

The maximum exposure to credit risk in Australia is $303,000 (2010: $251,000). All other credit risk exposure relates to New Zealand.

22. Financial instruments - continued

Market risk

(i) Interest rate risk
In managing interest rate risks the Group aims to reduce the impact of short-term fluctuations on the Group's earnings with an ongoing review of its exposure to changes in interest rates on its borrowings, the maturity profile of the debt, and the cash flows of the underlying debt. The Group maintains its borrowings at fixed rates on short term which gives the Group flexibility in the context of the economic climate, business cycle, loan covenants, cash flows, and cash balances.

An increase of 1.0% in interest rates at the reporting date would have reduced profit before tax for the Group by $386,000 (2010: $165,000), assuming all other variables remained constant. For the Parent this would have reduced profit before tax by $346,000 (2010: $10,000 increase), assuming all other variables remained constant.

Effective interest and re-pricing analysis
In respect of income-earning financial assets and interest-bearing financial liabilities the following table indicates their effective interest rates at the balance date and the periods in which they re-price.

Group		2011				2010			
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	6 to 12 Months	Effective interest rate	Total	6 months or less	6 to 12 months
Interest bearing cash & cash equivalents *	14	1.23% to 6.08%	37,103	37,103	-	1.74% to 6.01%	39,195	39,195	-
Secured bank loans *	18	3.20% to 3.56%	(63,277)	(63,277)	-	3.375% to 3.705%	(47,889)	(47,889)	-
Bank overdrafts *	14	3.06%	(863)	(863)	-	3.540%	(864)	(864)	-

Parent		2011			2010		
Dollars In Thousands	Note	Effective interest rate	Total	6 months or less	Effective interest rate	Total	6 months or less
Interest bearing cash & cash equivalents *	14	2.50%	242	242	3.00%	4,503	4,503
Secured bank loans *	18	3.20% to 3.38%	(27,619)	(27,619)	n/a	-	-

* These assets / (liabilities) bear interest at a fixed rate.

(ii) Foreign currency risk
The Group owns 61.30% of KIN Holdings Limited and 34.21% of First Sponsor Capital Limited. Substantially all the operations of these subsidiary and associate groups are denominated in foreign currencies. The foreign currencies giving rise to this risk are Australian Dollars and US Dollars. The Group has determined that the primary risk affects the carrying values of the net investments in its foreign operations with the currency movements being recognised in the foreign currency translation reserves. The Group has not taken any measurements to manage this risk.

The Group is not exposed to any other foreign currency risks.

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22. **Financial instruments** - continued

Capital management
The Group's capital includes share capital and retained earnings.

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group is not subject to any external imposed capital requirements.

The allocation of capital is, to a large extent, driven by optimisation of the return achieved on the capital allocated.

The Group's policies in respect of capital management and allocation are reviewed regularly by the Board of Directors. There were no changes in the Group's capital management policies during the year.

Fair values
The fair values together with the carrying amounts shown in the statement of financial position are as follows:

Group *Dollars In Thousands*	Note	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
LOANS AND RECEIVABLES					
Cash and cash equivalents	14	36,314	36,314	38,422	38,422
Trade and other receivables	15	18,235	18,235	18,195	18,195
Trade receivables due from related parties	26	-	-	29	29
OTHER LIABILITIES					
Secured bank loans	18	(63,277)	(63,277)	(47,889)	(47,889)
Trade and other payables	21	(14,495)	(14,495)	(14,097)	(14,097)
Trade payables due to related parties	26	(461)	(461)	(356)	(356)
Loans due to related parties	26	(7,230)	(7,230)	(3,500)	(3,500)
		(30,914)	(30,914)	(9,196)	(9,196)
Unrecognised (losses) / gains			-		-

Parent *Dollars In Thousands*	Note	Carrying amount 2011	Fair value 2011	Carrying amount 2010	Fair value 2010
LOANS AND RECEIVABLES					
Cash and cash equivalents	14	263	263	4,537	4,537
Trade and other receivables	15	6,929	6,929	5,824	5,824
Trade receivables due from related parties	26	8,027	8,027	7,392	7,392
Loans due from related parties	26	48,546	48,546	10,945	10,945
OTHER LIABILITIES					
Secured bank loans	18	(27,619)	(27,619)	-	-
Trade and other payables	21	(3,964)	(3,964)	(3,977)	(3,977)
Trade payables due to related parties	26	(461)	(461)	(356)	(356)
Loans due to related parties	26	(7,230)	(7,230)	(3,500)	(3,500)
		24,491	24,491	20,865	20,865
Unrecognised (losses) / gains			-		-

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22. Financial instruments - continued

Estimation of fair values
The following summarises the major methods and assumptions used in estimating the fair values of financial instruments reflected in the table.

(a) Cash, accounts receivable, accounts payable and related party balances. The carrying amount for these balances approximate their fair value because of the short maturities of these items.
(b) Borrowings. The carrying amount for the borrowings represent their fair values because the interest rates are reset to market periodically, every 1 to 2 months.

23. Operating leases

Leases as lessee
The minimum amount payable under non-cancellable operating lease rentals are as follows:

	Group		Parent	
Dollars In Thousands	2011	2010	2011	2010
Less than one year	3,662	5,265	2,452	2,360
Between one and five years	9,861	16,920	7,131	9,123
More than five years	2,228	2,167	460	-
	15,751	24,352	10,043	11,483

The Group leases a number of hotels and motor vehicles under operating leases. The hotel leases typically run for a period of years, with an option to renew the lease after that date. Lease payments are increased regularly to reflect market rentals. Typically these leases include a base rent plus a performance related element which becomes payable if revenue exceeds a specified level.

During the year ended 31 December 2011, $6,472,000 was recognised as an expense in the income statement in respect of operating leases (2010: $7,009,000). Operating lease expenses for the Parent were $2,593,000 in 2011 (2010: $2,832,000).

24. Capital commitments

As at 31 December 2011, the Group had entered into contractual commitments to purchase property, plant and equipment for $6,114,000 (2010: $1,298,000).

As at 31 December 2011, the Parent had entered into contractual commitments to purchase property, plant and equipment for $1,520,000 (2010: $nil).

25. Related parties

Identity of related parties
The Group has a related party relationship with its parent, subsidiaries (see note 26), associates and with its directors and executive officers.

Transactions with key management personnel
Directors of the Company and their immediate relatives control 0.71% (2010: 0.71%) of the voting shares of the Company. Loans to directors for the year ended 31 December 2011 amounted to $nil (2010: $nil). Key management personnel include the Board and the Executive Team.

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25. Related parties - continued

Total remuneration for key management personnel

Dollars In Thousands	Group 2011	Group 2010	Parent 2011	Parent 2010
Non-executive directors	334	321	151	125
Executive director	497	394	497	394
Executive officers	571	465	571	465
	1,402	1,180	1,219	984

Non-executive directors receive director's fees only. Executive directors and executive officers receive short-term employee benefits which include a base salary and an incentive plan. They do not receive remuneration or any other benefits as a director of the Parent Company or its subsidiaries. Directors' fees are included in "administration expenses" (see note 3) and remuneration for executive directors and executive officers are included in "personnel expenses" (see note 4).

26. Group entities

Control of the Group
Millennium & Copthorne Hotels New Zealand Limited is a 70.22% owned subsidiary of CDL Hotels Holdings New Zealand Limited which is a wholly owned subsidiary of Millennium & Copthorne Hotels plc in the United Kingdom. The ultimate parent company is Hong Leong Investment Holdings Pte Ltd in Singapore.

At balance date there were related party advances owing from/(owing to) the following related companies:

Dollars In Thousands	Nature of balance	Group 2011	Group 2010
Trade receivables due from related parties			
Millennium & Copthorne Hotels plc	Recovery of expenses	-	18
CDL Hotels Holdings New Zealand Ltd	Recovery of expenses	-	11
		-	29
Trade payables due to related parties			
Millennium & Copthorne Hotels plc	Recharge of expenses	(454)	(356)
CDL Hotels Holdings New Zealand Ltd	Recharge of expenses	(7)	-
		(461)	(356)
Loans due to related parties			
CDL Hotels Holdings New Zealand Ltd	Inter-company loan	(7,230)	(3,500)
		(7,230)	(3,500)

No debts with related parties were written off or forgiven during the year. No interest was charged on these advances during 2011 and 2010. There are no set repayment terms. During this period costs amounting to $250,000 (2010: $250,000) have been recorded in the income statement in respect of fees payable to Millennium & Copthorne International Limited for the provision of management and marketing support.

During the year consulting fees of $13,000 (2010: $11,000) were paid to Bobb Management Pty Ltd of which Mr. R Bobb (Director) is a shareholder and director.

Parent
At balance date, there were interest bearing unsecured inter-company advances owing from Context Securities Limited of $6,000,000 (2010: $6,200,000) and from MCHNZ Investments Limited of $42,546,000 (2010: $4,745,000). Net interest on advances of $268,000 (2010: $295,000) was charged to Context Securities Limited during the year and $716,000 (2010: $131,000) was charged to MCHNZI Investments during the year. The average interest rate charged during the year to Context Securities Limited was 4.44% (2010: 4.52%) and for MCHNZ Investments Limited it was 4.08% (2010: 4.12%) respectively. Both these two loans are repayable on demand.

26. **Group entities - continued**

At balance date there were related party advances owing from/(owing to) the following related companies:

Dollars in Thousands		Nature of balance	Parent 2011	Parent 2010
Trade receivables due from related parties				
Millennium & Copthorne Hotels plc		Recovery of expenses	-	18
Context Securities Ltd		Prepaid expenses	3,668	4,476
MCHNZ Investments Ltd		Inter-company account	3,570	2,349
Quantum Ltd		Management fees	789	538
CDL Hotels Holdings New Zealand Ltd		Recovery of expenses	-	11
			8,027	7,392
Loans receivable due from related parties				
Context Securities Limited		Inter-company loan	6,000	6,200
MCHNZ Investments Ltd		Inter-company loan	42,546	4,745
			48,546	10,945
Trade payables due to related parties				
Millennium & Copthorne Hotels plc		Recharge of expenses	(454)	(356)
CDL Hotels Holdings New Zealand Ltd		Recharge of expenses	(7)	-
			(461)	(356)
Loans due to related parties				
CDL Hotels Holdings New Zealand Ltd		Inter-company loan	(7,230)	(3,500)
			(7,230)	(3,500)

No debts with related parties were written off or forgiven during the year. No interest was charged on trade receivables and trade payables balances during 2011 and 2010. The loan due to related parties currently has an interest rate of 3.20% and the loan due from related parties has an interest rate of 4.08%. These are repayable on demand.

During the year dividend income of $1,994,000 (2010: $2,239,000) was received from CDL Investments New Zealand Limited.

Management fees of $963,000 (2010: $1,008,000) were charged to Quantum Limited during the year.

Although the Group owns less than half of the voting power of Bay of Islands Joint Venture, it is able to govern the financial and operating policies of the company by virtue of an agreement with the other investors of the Joint Venture. Consequently, the Group consolidates its investment in the company.

Associate companies

The associate companies included in the financial statements of Millennium & Copthorne Hotels New Zealand Limited as at 31 December 2011 are:

	Principal Activity	Holding % by MCHNZ Investments Limited 2011	Holding % by MCHNZ Investments Limited 2010
First Sponsor Capital Limited	Investment Holding	34.21	29.63
		Holding % by CDL Land New Zealand Limited 2011	Holding % by CDL Land New Zealand Limited 2010
Prestons Road Limited	Service Provider	33.33	33.33

All of the above associates have 31 December balance dates with the exception of Prestons Road Limited which has a 31 March balance date. No adjustment is made for the difference in balance date of Prestons Road Limited.

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26. Group entities - continued

Subsidiary companies

The principal subsidiary companies of Millennium & Copthorne Hotels New Zealand Limited included in the consolidation as at 31 December 2011 are:

	Principal Activity	Group holding % 2011	Group holding % 2010
Context Securities Limited	Investment Holding	100.00	100.00
MCHNZ Investments Limited	Investment Holding	100.00	100.00
Millennium & Copthorne Hotels Limited	Dormant	100.00	100.00
All Seasons Hotels & Resorts Limited	Dormant	100.00	100.00
Copthorne Hotel & Resort Bay of Islands Joint Venture	Hotel Operations	49.00	49.00
Quantum Limited	Holding Company	70.00	70.00
100% owned subsidiaries of Quantum Limited are:			
QINZ Holdings (New Zealand) Limited	Holding Company		
Kingsgate Hotels and Resorts Limited	Dormant/Franchise Holder		
Hospitality Group Limited	Holding Company		
100% owned subsidiaries of Hospitality Group Limited are:			
Hospitality Leases Limited	Lessee Company/Hotel Operations		
QINZ Anzac Avenue Limited	Hotel Owner		
Hospitality Services Limited	Hotel Operations/Franchise Holder		
CDL Investments New Zealand Limited	Holding Company	66.28	65.74
100% owned subsidiaries of CDL Investments New Zealand Limited are:			
CDL Land New Zealand Limited	Property Investment and Development		
KIN Holdings Limited	Holding Company	61.30	61.30
100% owned subsidiaries of KIN Holdings Limited are:			
Kingsgate International Corporation Limited	Holding Company		
Kingsgate Holdings Pty Limited	Holding Company		
Kingsgate Investments Pty Limited	Residential Apartment Developer		
Kingsgate International Pty Limited	Holding Company		
Kingsgate Hotels Pty Limited	Dormant		
Birkenhead Holdings Pty Limited	Holding Company		
Birkenhead Investments Pty Limited	Dormant /Shopping Centre Owner		
Birkenhead Services Pty Limited	Dormant/Service Company		
Hotelcorp New Zealand Limited	Holding Company		

All of the above subsidiaries have a 31 December balance date.

27. Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Critical accounting judgements in applying the Group's accounting policies

Certain critical accounting judgements in applying the Group's accounting policies are described below.

27. Accounting estimates and judgements - continued

Property, plant and equipment

The Group adopted a revaluation model of valuing land and buildings rather than the cost model. This results in any future decreases in asset values being charged in the income statement unless there is a surplus for that asset in the revaluation account in which case the decrease can be charged to equity.

Assessing whether individual properties are impaired may involve estimating the future cash flows expected to be generated by those properties. This will in turn involve assumptions, including expected rate of growth in revenue and costs, occupancy and average room rates and an appropriate discount rate, to apply when discounting future cash flows.

The Group has two (2010: three) properties affected by the Christchurch earthquakes. In assessing the two properties for impairments the following assumptions were made:

•The adequacy of the insurance cover for material damage which will cover the cost of all necessary repairs or replacement properties.
•The length of the insurance period during which the Group is covered for business interruption for the properties.
•The security cordon around the properties is lifted within a reasonable time to allow for access to the properties for repairs and reinstatement.
•The land underlying the properties is not affected by liquefaction or other geological issues which prevent repairs or reinstatement of the properties.

Development property

The Group is also exposed to market fluctuations in the value of development properties. The carrying value of development properties is $151,546,000 (2010: $151,359,000) while the fair value determined by independent valuers is $241,100,000 (2010: $238,100,000).

In determining fair values, the valuers will also make assumptions relating to section prices, sell down periods, consumer confidence, unemployment rates, interest rates and external economic factors.

Goodwill

The carrying value of goodwill is tested annually for impairment. This assessment generally requires management to estimate future cash flows to be generated by cash generating units to which the goodwill is allocated. Estimating future cash flows entails making judgements on expected occupancy rates and average room rates, growth in revenue and costs and an appropriate discount rate to apply when discounting cash flows.

Trade and other receivables

Trade and other receivables are stated at cost less any provision for impairment. The assessment for possible impairment requires the Group to make certain judgements surrounding the recoverability of these assets. A review of recoverability is made whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

28. Subsequent events

Subsequent to balance date, a fire occurred at Kingsgate Hotel Dunedin on 13 February 2011. A limited number of rooms were damaged by heat and smoke. The costs of repairs is yet to be quantified. Repairs may take several weeks to complete but it is not expected that the hotel will be required to be closed during that period. The hotel is insured for material damage and business interruption.

On 13 January 2012, First Sponsor Capital Ltd, a 34.21% associate of the Group, entered into a series of agreements with an independent third party to dispose of its trade debtors, trade mark, inventories and machinery from its confectionery manufacturing operations in Chengdu, China. The carrying value of the assets total US$5.8 million and the aggregate sales consideration subject to certain final adjustments is approximately US$8.2 million. The disposal is considered a non-adjusting event for the financial year ended 31 December 2011 and the financial effect of the disposal will be recorded in 2012.

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Independent auditor's report

To the shareholders of Millennium & Copthorne Hotels New Zealand Limited

Report on the company and group financial statements

We have audited the accompanying financial statements of Millennium & Copthorne Hotels New Zealand Limited ("the company") and the group, comprising the company and its subsidiaries, on pages FIN 1 to FIN 42. The financial statements comprise the statements of financial position as at 31 December 2011, the income statements and statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, for both the company and the group.

Directors' responsibility for the company and group financial statements

The directors are responsible for the preparation of company and group financial statements in accordance with generally accepted accounting practice in New Zealand and International Financial Reporting Standards that give a true and fair view of the matters to which they relate, and for such internal control as the directors determine is necessary to enable the preparation of company and group financial statements that are free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these company and group financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the company and group financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the company and group financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company and group's preparation of the financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company and group's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Our firm has also provided other services to the company and group in relation to taxation and general accounting services. Partners and employees of our firm may also deal with the company and group on normal terms within the ordinary course of trading activities of the business of the company and group. These matters have not impaired our independence as auditor of the company and group. The firm has no other relationship with, or interest in, the company and group.

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Opinion

In our opinion the financial statements on pages FIN 1 to FIN 42:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the company and the group as at 31 December 2011 and of the financial performance and cash flows of the company and the group for the year then ended.

Report on other legal and regulatory requirements

In accordance with the requirements of sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993, we report that:

- we have obtained all the information and explanations that we have required; and
- in our opinion, proper accounting records have been kept by Millennium & Copthorne Hotels New Zealand Limited as far as appears from our examination of those records.

KPMG.

22 February 2012
Auckland

CHAIRMAN'S REVIEW

Financial Performance & Financial Position

The Board is pleased to advise shareholders that for the year ended 31 December 2011, Millennium & Copthorne Hotels New Zealand Limited ("MCHNZ") reported a profit attributable to owners of the parent of $20.6 million (2010: $10.1 million loss). Given the earthquakes experienced in Canterbury during 2011 and its effects on trading generally, this is a very creditable result.

Clearly, the most significant events of 2011 were the Canterbury Earthquakes in February and the 2011 Rugby World Cup in September and October. The earthquakes and their related aftershocks have had and will continue to have a significant impact on the Company's operations in Christchurch and other parts of the South Island although the negative effects were partially offset by the positive impact of the Rugby World Cup in Auckland and Wellington in particular.

Although revenue and other income for the year decreased to $111.9 million (2010: $115.9 million), MCHNZ's profit before tax, non-controlling interests and associates showed growth from the same period in 2010 and increased to $28.9 million (2010: $14.9 million) reflecting a number of one-off gains, many of which related to the earthquake as well as increased productivity during 2011. CDL Investments New Zealand Limited increased its after-tax profit by $0.9 million to $3.8 million reflecting increased sales activity and a more positive New Zealand property market. First Sponsor Capital Limited made a positive contribution to MCHNZ's profit providing $4.6 million.

Earnings per share reflected the return to profit and the one-off gains at 5.90 cents per share (2010: -2.90 cents per share).

Shareholders' funds excluding non-controlling interests as at 31 December 2011 totaled $419.1 million (2010: $412.6 million) with total assets at $660.3 million (2010: $630.8 million). Net asset backing (with land and building revaluations and before distributions) as at 31 December 2011 was 119.9 cents per share (2010: 118.0 cents per share).

Effect of the 2011 Canterbury Earthquakes

In the 2011 Interim Report, we set out some of the effects of the Canterbury Earthquakes. By way of update:

- Reservations for Millennium Hotel Christchurch and Copthorne Hotel Christchurch will not be accepted until 2013 at the earliest. Both hotels remain in the 'red zone' and access remains restricted given the ongoing aftershocks. Repair works have not begun on either hotel as a result but both hotels have sufficient business interruption insurance to see them through 2012.

- In November 2011, a confidential settlement was reached with the insurers and the owners / landlord of the Copthorne Hotel Christchurch City (Durham Street) for the damage / loss to this property. The lease on the hotel was terminated and the hotel was demolished. The Company has no ongoing liability for this hotel as a result. The Company's business interruption claim from the February 2011 earthquake is still to be settled;

- Other business interruption claims for the February 2011 earthquake remain ongoing and discussions are continuing with the insurers. A confidential settlement of the claims relating to the September 2010 claims was concluded in respect of the Company's Christchurch hotels.

As stated in the 2011 Interim Report, Insurance for the 2011/12 period was renewed for the New Zealand hotels, albeit at a significantly higher premium reflecting the current risk profile and pricing in the New Zealand market. The Company has had the benefit of being able to access the Millennium & Copthorne Hotels' global insurance policies and its insurers and this has been beneficial in the handling and settling of claims.

As detailed in the financial statements, the cost to the Company in terms of insurance excesses and other related expenditure in 2011 was approximately $1.1 million. Provisions of $2.4 million were made in relation to the 2011 earthquakes and their after effects during the year.

On behalf of the Board, I do wish to extend sincere thanks to our staff, both past and present in Christchurch, and to our Operations team for their diligence during this extraordinary period.

New Zealand Hotel Operations

Revenue for the New Zealand hotel operations (16 owned / leased / operated hotels excluding 12 franchised properties) for the period under review was $97.4 million (2010: $103.6 million). Hotel occupancy for the period was down to 64.3% across the Group (2010: 66.3%).

The Company's hotels in Auckland and Wellington in particular benefitted from the 2011 Rugby World Cup held in September and October enjoying solid occupancies and achieving good room rates and yields. However, the ongoing effects of the February 2011 earthquakes combined with soft visitor numbers from historically strong markets such as the UK / Europe and North America did affect the hotels in the Bay of Islands, Rotorua and Queenstown.

Asian markets are starting to show some signs of improvement and we are focusing our resources on securing inbound business, particularly from China, which is an increasing market.

CDL Investments New Zealand Limited ("CDLI")

CDLI announced an operating profit after tax for the year ended 31 December 2011 of $3.8 million (2010: $2.9 million) and reported an increase in its section sales from 54 in 2010 to 77 in 2011. CDLI is also expecting to report increased sales in 2012 reflecting a more positive property market. CDLI, along with its joint venture partners, successfully completed a private plan charge for land located in Christchurch which is to be developed in the near future and which was unaffected by the recent earthquakes.

CDLI has declared an ordinary dividend of 1.4 cents per share. MCHNZ's stake in CDLI is currently 66.28%.

Offshore Operations – Australia & China

In Australia, short term leasing of the units at the Zenith Residences continued during the year with occupancy of over 95% recorded. While marketing of the units has continued, no additional sales were made in 2011.

The Company's 34% associate, First Sponsor Capital Limited (FSCL), reported a profit of US$ 9.5 million for the financial year ended 31 December 2011. The Company's share of the profit is NZ $4.6 million.

As at 12 February 2012, 711 out of 726 residential units of the Chengdu Cityspring project have been sold either under sale and purchase or option agreements. 98.6% of the sales proceeds have been collected for those residential units sold under sale and purchase agreements. In addition, 527 of the 709 commercial units launched for sale in July 2011 have been sold either under sale and purchase or option agreements with 65.1% of the sales proceeds having been collected. Revenue and profit recognition requirement for the residential units is expected to be met in 2012. Proceeds from the residential and commercial sales will finance the development of a 195-room hotel, M Hotel Chengdu, which will be franchised by the Millennium & Copthorne Group.

In November 2011, FSCL successfully tendered for two parcels of land in Chengdu. Earlier in 2011, directors from MCK and Millennium & Copthorne Hotels plc visited the area and met with local government officials. The total area of land is approximately 270,500 square metres and will be able to be developed as residential and commercial developments including a hotel and convention centre.

In November 2011, the Company announced that it had increased its investment in FSCL by an additional USD 30 million taking its stake back to 34%. The additional capital was provided as part of a capital call to allow FSCL to purchase the aforesaid Chengdu land. A waiver was obtained from the NZX in order to proceed with the increase.

In 2011, after regaining control of its property operations in the Guangdong province, FSCL commenced with a restructuring of its asset portfolio via the disposal of some land parcels in Qingyuan and Huizhou, and buying out of the minority shareholder of another land parcel in Dongguan.

Dividend Announcement

The Company has resolved to pay a fully imputed ordinary dividend of 1.2 cents per share payable on 11 May 2012 (2010: 1.2 cents per share). The record date will be 4 May 2012.

Outlook

With the ongoing issues in Christchurch and the number of international visitors still weak due to global economic conditions, 2012 will be another challenging year for different reasons. That said, cost management at the hotel operational level is currently good and the Company's other business units are expected to be profitable. 2012 will also see the profit from the Chengdu Cityspring development being recognized in the first half of 2012 which will also benefit the Company.

The Board and Management are therefore cautiously optimistic about the Company's prospects over the coming year.

Management and staff

On behalf of the Board, I thank the Company's management and staff for their work and commitment during what has been a challenging and extraordinary year.

Wong Hong Ren
Chairman
22 February 2012

MILLENNIUM & COPTHORNE HOTELS NEW ZEALAND REPORTS INCREASED 2011 PROFIT

Millennium & Copthorne Hotels New Zealand Limited (**NZX: MCK**) today reported its preliminary results for the year ended 31 December 2011 and announced a profit after tax and non-controlling interests of $20.6 million (2010: $10.1 million loss) on total revenue of $99.5 million (2010: $114.5 million).

"This result is very creditable given such an extraordinary year", said MCK's Managing Director Mr. B K Chiu. "The Canterbury Earthquakes obviously had a negative effect on revenue which will continue for some time but this was offset in part in the main centres during the 2011 Rugby World Cup. CDL Investments increased its profits by 30% and First Sponsor Capital Limited, which holds our investment in China, was profitable", he said.

Mr. Chiu also noted that the Company's profit before income tax also increased significantly from $14.6 million in 2010 to $33.5 million in 2011.

"While this does reflect some one-off gains during the year, this is also a reflection of increased productivity", he said.

MCK recorded a profit contribution of $4.6 million from its 34% associate company First Sponsor Capital Limited (FSCL) and also stated that FSCL would be recognising profits from its Cityspring Chengdu development in China in the course of the first half of this year.

The Company also declared a dividend of 1.2 cents per share, payable on 11 May 2012.

Noting that 2012 would likely be another challenging year, albeit for different reasons, Mr. Chiu said that the Company was cautiously optimistic about the year ahead.

"The number of international visitors, particularly from Europe and North America continues to be weaker than previous years, but on the positive side there is increased demand and interest from Asia and we are concentrating our attention on securing that business. Overall, we are cautiously optimistic as we do expect all of our business units to be profitable in 2012", he said.

Summary of results:

• Profit after tax and non-controlling interests	$20.6 million	(2010: $10.1 m loss)
• Profit before tax and non-controlling interests	$33.5 million	(2010: $14.6 m)
• Total group revenue	$99.5 million	(2010: $114.5 m)
• Shareholders' funds excluding non-controlling interests	$419.1 million	(2010: $412.6 m)
• Total assets	$660.3 million	(2010: $630.8 m)

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Issued by Millennium & Copthorne Hotels New Zealand Limited

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